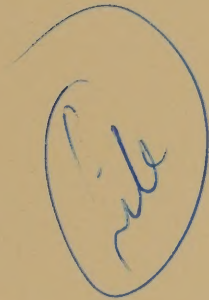


# Goldale

## Investments Limited

*K.A. Roberts*

**Annual Report**  
**1980**



*SHEEP Creek Mines Ltd 1933*  
*Aetna Investment Corp. Ltd 1965*  
*Aetna - Goldale Investments Ltd 1971*  
*Goldale Investments Ltd 1977*

*Dupel Mines Ltd } 1964*  
*Belfair Mines Ltd }*

# **Goldale Investments Limited**

## **Board of Directors**

J.L. Bitove  
A.H. Honsberger  
A.W. Oughtred  
E.K. Roberts  
\*K.A. Roberts  
\*A.C. Rose, Q.C.  
\*B. Winberg

\*members of the audit committee

## **Officers**

K.A. Roberts, Chairman of the Board and Chief Executive Officer  
E.K. Roberts, C.A., President and Treasurer  
J.L. Bitove, Vice-President  
A.W. Oughtred, Secretary

## **Solicitors**

Borden & Elliot, Toronto, Ontario

## **Auditors**

Clarkson Gordon

## **Registrar and Transfer Agent**

Canada Trust Company  
110 Yonge Street, Toronto, Ontario  
901 West Pender Street, Vancouver, B.C.

## **Offices**

Suite 1212, Box No. 146  
Royal Trust Tower  
Toronto Dominion Center  
Toronto, Ontario M5K 1H1

# GOLDALE INVESTMENTS LIMITED

To the Shareholders:

Earnings were \$447,916 or 13.5¢ per share for the year ended December 31, 1980 compared to \$384,060 or 15¢ per share for the prior year. The 1980 results picture a year of change in the areas of your Company's interest.

"Inside Moves" opened in North America in December, 1980. The film received excellent reviews from critics across the United States and Canada. However, based on box office receipts and certain unexpected difficulties experienced with North American distribution, it appears unlikely that the Company will recover any further income under the sale of the North American distribution rights. The foreign distribution was sold separately on a country-by-country basis. The film has just opened in England and will open shortly in other overseas countries.

During 1980, your Company sold its holdings of Canada Trustco Mortgage Company and its mortgage portfolio. A portion of the proceeds from these sales was used to redeem the outstanding preference shares of the Company's subsidiary and to repay outstanding promissory notes. In addition, the Company issued 250,000 Class A non-voting shares for a cash consideration of \$2,500,000.

In the past year the Company's main thrust has been directed to expanding its oil and gas exploration business. As reflected in the accompanying financial statements the Company is in a sound financial position to continue an aggressive oil and gas programme in 1981 and ensuing years. Reference is made to the accompanying report on your Company's oil and gas operations.

On behalf of the Board

Toronto, Ontario  
April 24, 1981

K.A. Roberts,  
Chairman



# **Goldale Investments Limited**

## **OIL AND GAS PROGRAMMES**

During 1980, the Company participated in the drilling of 20 wells in the southwestern United States resulting in 8 oil wells, 8 gas wells and 4 dry holes.

### **Dewey County, Oklahoma**

The Dewey County, Oklahoma programme yielded 7 oil and gas wells during 1980 out of 7 drilling starts. The Company has varying working interests in the wells forming this programme which average approximately 9%. Total estimated reserves to the Company at December 31, 1980 were 23,000 barrels of oil and 114 million cubic feet of gas. Since year end, three additional wells have been drilled and are being completed as commercial oil and gas wells and drilling is underway on another location. It is anticipated that at least five additional locations will be drilled during 1981.

### **Beaver County, Oklahoma**

During 1980 the Company agreed to participate to the extent of an average working interest of approximately 5% in the drilling of 11 wells located in Beaver County, Oklahoma. As at December 31, 1980, 4 wells had been drilled resulting in 2 gas completions and 2 dry holes. Estimated reserves to the Company at year end were 58.6 million cubic feet of gas. Since year end, 5 more locations have been drilled resulting in 5 commercial gas wells having been or in the process of being completed. Drilling is currently underway on a 10th well. The Company has the option to participate in a second drilling programme in the area upon completion of this phase.

### **Wise County, Texas**

The 1980 Wise County, Texas programme resulted in the completion of six commercial gas wells, to bring the total in the programme to 12 gas wells and 1 oil well at December 31, 1980. The Company holds an 18.75% working interest in 11 of these wells and a slightly smaller interest in the other wells. Total estimated reserves to the Company at year end were 6,000 barrels of oil and 1.6 billion cubic feet of gas. Since year end, a 14th well has been successfully completed as a gas producer which completes this programme.

## **1981 DRILLING COMMITMENTS**

### **Burleson and Brazos Counties, Texas**

In November, 1980, the Company's wholly-owned subsidiary, Goldale Resources Inc., acquired a 25% working interest in 8,750 acres of petroleum leases known as the Enright, Wellborn and N.W. Millican Prospects and a 12.5% working interest in 5,750 acres of petroleum leases known as the S.E. Millican Prospect. The test wells called for are to be drilled to at least 12,500 feet and based on geological studies the target results should show gas in at least three zones including the Austin Chalk formation.

During 1981, the first two test wells were drilled and are in the completion phase. Test results are not yet completed but will be released as soon as they are available from the Operator of these Prospects. Two more wells are currently being drilled. Indications are very positive that these wells represent a major new petroleum discovery.

### **South Kurten Prospect, Texas**

Goldale Resources Inc. has purchased leases for the petroleum rights to approximately 3,320 net mineral acres known as the South Kurten Prospect in Brazos County, Texas, and has undertaken to act as Operator in the development of this Prospect. A drilling contractor and drill rig have been arranged and the site of the first well is currently being prepared for the commencement of drilling on or before July 1, 1981. Goldale Resources Inc. has agreed to farmout a 20% working interest to a Canadian corporation and it is the Company's intent to farmout additional interests in the acreage while retaining a significant working interest.

### **New Zealand**

Goldale Ontario Limited, a wholly-owned subsidiary, has acquired a 2% interest in a petroleum prospecting license on 1.5 million acres known as Westland Area Offshore New Zealand and has committed to participate in the drilling of an initial test well on or about June 13, 1981.

### **Chigwell Area, Alberta**

The Company continues to hold a 4.5% interest in 32 producing oil wells in Chigwell Area, Alberta which interest was acquired in 1979.



# Goldale Investments Limited

(Incorporated under the laws of Ontario)

## CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1980

(with comparative figures at December 31, 1979)

	1980	1979
<b>ASSETS</b>		
Cash and bank deposit receipts (note 6) .....	<b>\$13,328,933</b>	\$ 6,214,967
Accrued interest, dividends and other receivables .....	<b>514,242</b>	443,802
Investments, at cost (note 2):		
Marketable securities (quoted market value December 31, 1980 - \$2,667,000; December 31, 1979 - \$1,190,000) .....	<b>1,817,059</b>	1,195,379
Canada Trustco Mortgage Company .....		20,299,063
Mortgages, less amortization .....		2,844,144
Oil and gas properties (note 3) .....	<b>3,967,605</b>	1,767,600
Film inventories (note 4) .....	<b>4,544,620</b>	765,031
Fixed assets (note 5) .....	<b>960,290</b>	595,953
	<b>\$25,132,749</b>	<b>\$34,125,939</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Bank demand loans (note 6) .....	<b>\$ 5,587,694</b>	\$ 1,205,000
Accounts payable and accrued liabilities .....	<b>1,024,144</b>	178,141
Income taxes payable .....	<b>636,751</b>	14,500
Promissory notes (note 7) .....	<b>367,705</b>	2,205,331
	<b>7,616,294</b>	<b>3,602,972</b>
Deferred film revenue .....	<b>339,446</b>	
Deferred income taxes .....	<b>582,000</b>	134,000
Minority interest (note 8) .....		16,741,874
Shareholders' equity:		
Capital (note 9) .....	<b>15,500,641</b>	13,000,641
Retained earnings .....	<b>1,094,368</b>	646,452
	<b>16,595,009</b>	<b>13,647,093</b>
Contingency (note 4)	<b>\$25,132,749</b>	<b>\$34,125,939</b>
On behalf of the Board:		
K.A. ROBERTS, Director		
A.W. OUGHTRED, Director		

# Goldale Investments Limited

## CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1980

(with comparative figures for 1979)

	1980	1979
Revenue:		
Canada Trustco Mortgage Company dividends . . . . .	\$ 651,971	\$1,283,189
Interest . . . . .	1,243,173	710,003
Gain on sale of investments . . . . .	1,482,135	161,204
Film revenue . . . . .	4,735,600	
Oil and gas sales . . . . .	643,843	75,720
Other . . . . .	45,561	58,749
	<u>8,802,283</u>	<u>2,288,865</u>
Expenses:		
General and administrative . . . . .	666,251	188,586
Interest on bank indebtedness and promissory notes . . . . .	269,037	206,595
Film - amortization of inventories . . . . .	4,892,459	
- commissions . . . . .	473,560	
Oil and gas - operating costs . . . . .	50,406	24,773
- property costs written off . . . . .	105,467	43,463
Depletion and depreciation . . . . .	79,470	37,198
Minority and interest (note 8) . . . . .	747,014	1,255,690
	<u>7,283,664</u>	<u>1,756,305</u>
Earnings before income taxes and extraordinary item . . . . .	1,518,619	532,560
Income taxes (note 10) - current . . . . .	622,703	14,500
- deferred . . . . .	448,000	186,000
	<u>1,070,703</u>	<u>200,500</u>
Earnings before extraordinary item . . . . .	447,916	332,060
Extraordinary item:		
Reduction of income taxes resulting from the carry forward of prior year's loss . . . . .		52,000
Earnings for the year . . . . .	<u>\$ 447,916</u>	<u>\$ 384,060</u>
Earnings per Class A and Class B share (note 11):		
Before extraordinary item . . . . .	<u>13.5¢</u>	<u>13.0¢</u>
For the year . . . . .	<u>13.5¢</u>	<u>15.0¢</u>

(see accompanying notes)



# Goldale Investments Limited

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1980

(with comparative figures for 1979)

	1980	1979
Retained earnings, beginning of year . . . . .	\$ 646,452	\$272,119
Earnings for the year . . . . .	447,916	384,060
	<u>1,094,368</u>	<u>656,179</u>
Costs incurred on issue of Class A shares . . . . .		9,727
Retained earnings, end of year . . . . .	<u>\$1,094,368</u>	<u>\$646,452</u>

(See accompanying notes)



# Goldale Investments Limited

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

**FOR THE YEAR ENDED DECEMBER 31, 1980**

(with comparative figures for 1979)

	<u>1980</u>	<u>1979</u>
Funds were provided from:		
Operations -		
Earnings for the year before extraordinary item . . . . .	\$ 447,916	\$ 332,060
Add charges which do not represent a current flow of funds:		
Amortization of film inventories . . . . .	4,892,459	
Depletion and depreciation . . . . .	79,470	37,198
Oil and gas property written off . . . . .	105,467	43,463
Deferred income taxes . . . . .	448,000	186,000
Other . . . . .		48,854
	<u>5,973,312</u>	<u>647,575</u>
Issue of Class A shares . . . . .	2,500,000	5,627,773
Proceeds on the sale, less gains included in earnings above, of -		
Canada Trustco, less \$16,741,874 applied to redemption of preference shares of subsidiary . . . . .	3,878,368	
Other securities . . . . .	766,740	671,610
Reduction in mortgages receivable, less related repayment of promissory notes . . . . .	799,144	
Increase in -		
Bank demand loans . . . . .	4,382,694	1,205,000
Accounts and taxes payable . . . . .	1,468,254	129,063
Promissory notes payable . . . . .	207,374	160,331
Deferred film revenue . . . . .	339,446	
Total funds provided . . . . .	<u>20,315,332</u>	<u>8,441,352</u>
Funds were applied to:		
Purchase of - Shares of Canada Trustco . . . . .	320,244	267,943
- Marketable securities . . . . .	1,389,355	604,418
- Oil and gas properties . . . . .	2,346,116	1,832,888
- Fixed assets . . . . .	403,163	599,720
- Mortgages . . . . .		709,175
Expenditures on film inventories . . . . .	8,672,048	765,031
Increase in accounts receivable . . . . .	70,440	67,806
	<u>13,201,366</u>	<u>4,846,981</u>
Increase in cash and bank deposit receipts . . . . .	7,113,966	3,594,371
Cash and bank deposit receipts, beginning of period . . . . .	6,214,967	2,620,596
Cash and bank deposit receipts, end of period . . . . .	<u>\$13,328,933</u>	<u>\$6,214,967</u>

(See accompanying notes)



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1980

### 1. Summary of significant accounting policies

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements:

(a) Basis of consolidation -

The consolidated financial statements include the accounts of the Company and all subsidiaries. The subsidiaries, all of which are wholly-owned, are as follows:

Goldale Ontario Limited ("Ontario")

Goldale Resources Inc. ("Resources")

Goldale International Ltd. ("International")

Goodmark Productions, Inc. ("Goodmark") - held through International

1600 Fairfax Corp. ("Fairfax") - held through International

(b) Oil and gas properties -

Oil and gas properties are carried at cost less accumulated depletion. The Company follows the practice of capitalizing all costs associated with the exploration for and development of oil and gas reserves relating to successful wells. These costs include leasehold acquisition costs, geological and geophysical expenses, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, oil and gas field production equipment and overhead expenses related to exploration and development. Such costs are charged against income in the proportion that the year's production of oil and gas bears to the related reserves. All exploratory costs and development costs relating to unsuccessful wells are written off when the related project is abandoned.

(c) Fixed assets -

Fixed assets are carried at cost, less accumulated depreciation. Depreciation is provided in part on the straight-line method and in part on the declining balance method over the estimated useful lives of the assets.

(d) Film inventories and revenues -

Film inventories are stated at the lower of amortized cost and estimated realizable value. Film costs are amortized in the ratio that gross revenue derived therefrom in a particular year is of estimated total gross revenue on an individual film basis. The purchase price of literary properties and related development costs are accumulated in film inventories pending production of the films to which they relate. Story and development costs of abandoned films are charged against income on abandonment.

Revenues from licensing agreements are recognized generally when the film is first available for release under each license agreement.

Revenues and costs associated with foreign distribution are deferred until the film is released in foreign markets.

(e) Foreign exchange translation -

In the accompanying consolidated financial statements the accounts of U.S. subsidiaries have been translated into Canadian dollars as follows; oil and gas properties, fixed assets and related depreciation, film inventories and the promissory note at rates of exchange applicable at dates acquired or incurred; other assets and liabilities, including bank indebtedness, at the rates of exchange at year-end; and revenue and expenses (other than depreciation and amortization) at the average rates of exchange during the year. Gains and losses on translation of foreign currency balances are included in income.



(f) **Deferred income taxes -**

Deferred income taxes are provided on timing differences between accounting income and income for tax purposes. These differences arise principally from claiming oil and gas exploration and development expenditures for tax purposes at faster rates than are applied in the determination of accounting income.

**2. Investments**

(a) **Canada Trustco Mortgage Company ("Canada Trustco") -**

During the year, the Company disposed of its investment in Canada Trustco for a cash consideration of \$22,019,004, realizing a pre-tax gain of \$1,399,697 on the sale. The proceeds of sale were used to redeem the outstanding preference share of the subsidiary, Ontario.

(b) **Mortgages -**

During 1980 approximately \$951,790 of the principal balance of the mortgages was repaid with the remainder transferred as partial consideration on the discharge of obligation covered by the 8 1/2% promissory notes (see note 7).

**3. Oil and gas properties**

The oil and gas properties are made up as follows:

	<b>1980</b>	1979
Oil and gas properties . . . . .	<b>\$4,179,004</b>	\$1,832,888
Less abandoned properties . . . . .	<b>148,930</b>	43,463
	<b>4,030,074</b>	1,789,425
Less accumulated depletion . . . . .	<b>62,469</b>	21,825
	<b>\$3,967,605</b>	\$1,767,600

**4. Film inventories**

As at December 31, film inventories were comprised as follows:

	<b>1980</b>	1979
Completed production ("Inside Moves") . . . . .	<b>\$9,055,268</b>	
Less: accumulated amortization . . . . .	<b>4,892,459</b>	
	<b>4,162,809</b>	
Stories and development costs . . . . .	<b>170,160</b>	\$103,752
Other deferred expenses . . . . .	<b>211,651</b>	
Production in process . . . . .		661,279
	<b>\$4,544,620</b>	\$765,031

In 1980, International received a non-refundable advance from a distributor for all rights to distribute the film "Inside Moves" in the United States and Canada. The Company does not anticipate receiving additional funds from the distributor and accordingly the advance was included in income in the current year.

As stated in note 1 (d), the costs of film inventories are amortized on the basis of estimated total gross revenue on an individual film basis; accordingly, the recoverability of the unamortized balance of the production costs of "Inside Moves" is contingent upon the future realization of the estimated portion (approximately 47% all of which relates to foreign distribution) of total gross revenue attributed to that film.

**5. Fixed assets**

Fixed assets consist of the following:

	<b>1980</b>	1979
Building and improvements . . . . .	<b>\$591,678</b>	\$358,098
Furniture and equipment . . . . .	<b>252,326</b>	170,317
	<b>844,004</b>	528,415
Less accumulated depreciation . . . . .	<b>95,933</b>	20,170
	<b>748,071</b>	508,245
Land . . . . .	<b>212,219</b>	87,708
	<b>\$960,290</b>	\$595,953

## 6. Bank demand loans

Bank demand loans are made up as follows:

	<u>1980</u>	<u>1979</u>
Goldale Investments Limited .....	\$ 521,000	\$ 40,000
U.S. subsidiaries -		
Goodmark (U.S. \$4,120,000; 1979 - \$750,000) .....	4,934,936	873,750
Fairfax (U.S. \$110,000; 1979 - \$250,000) .....	131,758	291,250
	<u>\$5,587,694</u>	<u>\$1,205,000</u>

The Company has pledged its marketable securities as collateral security against the bank demand loan of \$521,000 which loan bears interest at the bank prime lending rate plus 1/4 of 1%

The subsidiary, Goodmark, has a bank line of credit of U.S. \$5,050,000 of which U.S. \$4,120,000 (Cdn. \$4,934,936) had been drawn at December 31, 1980. Fairfax has a bank line of credit, collateralized by a building, of U.S. \$350,000 of which U.S. \$110,000 (Cdn. \$131,758) had been advanced at December 31, 1980. The Company has guaranteed these bank lines of credit and has pledged as security for the guarantees \$4,625,000 in bank deposit receipts. The aforementioned loans bear interest largely at the bank prime lending rate in effect in California.

## 7. Promissory notes

Promissory notes consist of:

	<u>1980</u>	<u>1979</u>
Variable rate notes (U.S. \$312,766; 1979 - \$138,103) .....	\$367,705	\$ 160,331
8 1/2% unsecured notes due December 31, 1982 .....		2,045,000
	<u>\$367,705</u>	<u>\$2,205,331</u>

The variable rate notes were assumed by Fairfax on the purchase of its land and buildings and are collateralized by a deed of trust on such real estate. The notes bear interest at rates which approximate the prime bank lending rate in California and are due in 1985 and 1997.

The 8 1/2% notes were redeemed in the year through the transfer of \$1,892,354 principal amount of mortgages and payment of cash.

## 8. Minority interest

The minority interest at December 31, 1979 was comprised of outstanding first preference shares of the subsidiary, Ontario, together with accrued and unpaid dividends. As stated in note 2 (a), these preference shares were redeemed in the year from the proceeds of sale of the Company's investment in Canada Trustco.

## 9. Share capital

The Company's share capital is as follows:

	<u>1980</u>	<u>1979</u>
Authorized -		
1,500,000 first preference shares of \$10 par value each .....		
7,000,000 Class A non-voting shares without par value .....		
500,000 Class B voting shares without par value .....		
Issued -		
3,423,720 Class A shares (3,173,720 shares at December 31, 1979) .....	\$15,361,013	\$12,861,013
99,680 Class B shares .....	139,628	139,628
	<u>\$15,500,641</u>	<u>\$13,000,641</u>



The Class A and B shares are equal in all respects except that the Class A shares are non-voting.

On December 10, 1980, 250,000 Class A shares were issued for a cash consideration of \$2,500,000.

During the year, the Company issued options to certain officers and an employee, all of whom are direct or indirect shareholders of the Company, to purchase a total of 75,000 Class A shares at \$6.00 per share, which options expire on June 5, 1985. Subsequent to December 31, 1980, the Company issued additional options to certain officers to purchase a total of 40,000 Class A shares at \$13.50 per share, which options expire on March 8, 1986. Also outstanding at December 31, 1980 was an option to purchase 200,000 Class A shares at \$3.50 per share, expiring on December 31, 1982.

## 10. Income taxes

As at December 31, 1980, certain U.S. subsidiaries had accumulated losses of U.S. \$860,000. Such losses are available to carry forward for tax purposes to apply against such income as may arise, and would otherwise be taxable, in future years. These losses, if unapplied, will expire as to U.S. \$11,000 in 1984, U.S. \$123,000 in 1985 and U.S. \$726,000 in 1986.

In addition, investment tax credits of U.S. \$216,000, expiring in 1985, are available to reduce future income taxes payable.

No portion of the potential future tax benefit resulting from application of the aforementioned losses and tax credits is included in these financial statements.

The provisions for income taxes in the consolidated statement of income are reconciled to the amount of tax that would result from the application of Canadian statutory rates to pre-tax income as follows:

	1980	1979
Earnings before income taxes and extraordinary item . . . .	<u><b>\$1,518,619</b></u>	<u>\$532,560</u>
Approximate statutory rates generally applicable . . . . .	<u><b>51%</b></u>	<u>50%</u>
Income taxes at statutory rates generally applicable to Canadian corporations . . . . .	<b>\$ 774,496</b>	\$266,280
Add (deduct) tax effect of -		
Non-deductibility of minority interest in earnings . . . . .	<b>380,977</b>	627,845
Loss of U.S. subsidiaries . . . . .	<b>604,035</b>	6,800
Non-taxable portion of gain on investments . . . . .	<b>(377,944)</b>	(80,602)
Dividends from taxable Canadian corporations . . . . .	<b>(352,748)</b>	(669,966)
Other . . . . .	<b>41,887</b>	50,143
Income taxes as provided . . . . .	<u><b>\$1,070,703</b></u>	<u>\$200,500</u>

## 11. Earnings per share

The calculations of earnings per Class A and Class B share are based on the weighted average of the total number of such shares outstanding during the year (1980 - 3,311,071 shares; 1979 - 2,554,495 shares).

The exercise of the outstanding stock options (see note 9) would have no significant dilutive effect on earnings per share.

## 12. Commitments

At December 31, 1980 the Company and its subsidiaries were committed to expenditures totalling approximately U.S. \$3,800,000 in connection with oil and gas exploration.

### 13. Business segment information

In 1980, the Company, in addition to its investment activities, was engaged in the business of producing motion picture films and in the exploration for, and development and production of, oil and gas.

(a) Information about the Company's operations in these segments is as follows:

	Oil and gas	
	1980	1979
Total revenues	<b>\$ 643,843</b>	\$ 75,720
Earnings (loss) for the year	<b>\$ 163,940</b>	\$ 15,122
Identifiable assets	<b>\$4,386,363</b>	\$1,795,709
Depreciation, depletion, amortization	<b>\$ 40,644</b>	\$ 21,825
Additions to oil and gas properties, films and investments	<b>\$2,358,457</b>	\$1,832,888

(b) Information about the Company's operations in different geographical areas is as follows:

	Canada	
	1980	1979
Total revenues	<b>\$ 3,571,255</b>	\$ 2,288,865
Earnings (loss) for the year	<b>\$ 1,478,206</b>	\$ 397,730
Identifiable assets	<b>\$19,129,838</b>	\$32,150,180
Depreciation, depletion, amortization	<b>\$ 46,598</b>	\$ 28,037
Additions to oil and gas properties, films and investments	<b>Ø</b>	\$ 1,212,500

## Auditors' Report

To the Shareholders of  
Goldale Investments Limited:

We have examined the consolidated balance sheet of Goldale Investments Limited as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Goldale Investments Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of other auditors who have examined the consolidated financial statements of Goldale International Ltd.

In our opinion these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 16, 1981.

CLARKSON GORDON  
Chartered Accountants



Film		Investments		Total	
1980	1979	1980	1979	1980	1979
<u>\$ 4,735,600</u>	<u>\$ Ø</u>	<u>\$ 3,422,840</u>	<u>\$ 2,213,145</u>	<u>\$ 8,802,283</u>	<u>\$ 2,288,865</u>
<u>\$ (1,184,382)</u>	<u>\$ (13,670)</u>	<u>\$ 1,468,358</u>	<u>\$ 382,608</u>	<u>\$ 447,916</u>	<u>\$ 384,060</u>
<u>\$ 5,425,986</u>	<u>\$ 1,392,550</u>	<u>\$ 15,320,400</u>	<u>\$ 30,937,680</u>	<u>\$ 25,132,749</u>	<u>\$ 34,125,939</u>
<u>\$ 4,928,104</u>	<u>\$ 9,161</u>	<u>\$ 6,181</u>	<u>\$ 6,212</u>	<u>\$ 4,974,929</u>	<u>\$ 37,198</u>
<u>\$ 9,062,870</u>	<u>\$ 1,364,751</u>	<u>\$ Ø</u>	<u>\$ 9,515</u>	<u>\$ 11,421,327</u>	<u>\$ 3,207,154</u>

United States		Total	
1980	1979	1980	1979
<u>\$ 5,231,028</u>	<u>\$ Ø</u>	<u>\$ 8,802,283</u>	<u>\$ 2,288,865</u>
<u>\$ (1,030,290)</u>	<u>\$ (13,670)</u>	<u>\$ 447,916</u>	<u>\$ 384,060</u>
<u>\$ 6,002,911</u>	<u>\$ 1,975,759</u>	<u>\$ 25,132,749</u>	<u>\$ 34,125,939</u>
<u>\$ 4,928,331</u>	<u>\$ 9,161</u>	<u>\$ 4,974,929</u>	<u>\$ 37,198</u>
<u>\$ 11,421,327</u>	<u>\$ 1,994,654</u>	<u>\$ 11,421,327</u>	<u>\$ 3,207,154</u>

